



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

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**Harmon Releases Audit of Cumberland County Fiscal Court**

**FRANKFORT, Ky.** – State Auditor Mike Harmon has released the audit of the financial statements of the Cumberland County Fiscal Court for the fiscal year ended June 30, 2015. State law requires annual audits of county fiscal courts.

Auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the receipts, disbursements and changes in cash and cash equivalents of the Cumberland County Fiscal Court in accordance with accounting principles generally accepted in the United States of America. The fiscal court's financial statement did not follow this format. However, the fiscal court's financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for 115 of 120 fiscal court audits in Kentucky.

As part of the audit process, the auditor must comment on non-compliance with laws, regulations, contracts and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comment:

**The Cumberland County Fiscal Court lacks adequate segregation of duties over cash receipts and the reconciliation process.** The county treasurer receives, records, and deposits all funds, including occupational tax. She also prepares all bank reconciliations and weekly/monthly reports. The county has instituted some review processes, such as reviewing the bank statements and bank reconciliations. This review is documented by the county judge initialing the bank statements with the reconciliation attached. The deputy judge makes a list of all receipts before delivery to the county treasurer. However, the list made by the deputy judge is never compared to the actual deposits.

Lack of segregation of duties could result in inaccurate financial reporting. Adequate segregation of duties would prevent the same person from having a significant role in functions which are incompatible as well as protecting the fiscal court against inaccurate financial reporting.

We recommend the fiscal court separate the duties of preparing and depositing receipts, recording transactions, preparing reports, and reconciling bank accounts. If any of these duties cannot be segregated due to limited staff or budget, strong oversight should be provided over the employee responsible. The employee providing oversight should document this by initialing source documents. We also recommend the listing of receipts be compared to the actual deposits made by the county treasurer and comparison be documented.

*County Judge/Executive's response: Not cost effective for additional staffing to remediate this situation.*

The audit report can be found on the [auditor's website](#).

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